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[] The Soviets may also have concluded that the Chinese are seeking to provoke a formal breach in order to form their own international organization along racial and geographic lines. While such a turn of events does not appear imminent, further efforts and further pressure on various parties are to be expected in the coming months. The Soviets are likely to break their own restraint on polemics, and the Chinese have already abandoned their pretense of non-polemics. The current flare-up has immediately spread to governmental relations. In some, the tensions and hostility in the Communist world are almost certain to be intensified.

Eastern Europe

16. The pervasiveness of the Sino-Soviet dispute was graphically demonstrated in Eastern Europe recently when the Rumanians published a long summary of the Chinese letter along with the Soviet announcement that its publication in the USSR would lead to "further aggravation of polemics" and "run counter to the opinion of the fraternal parties on this question." The Rumanians are not aligning themselves with the broad theoretical program of the Chinese, but they are using the dispute to further their own interests and to demonstrate their own displeasure over Soviet policy. The Bucharest regime refuses to subordinate its economic planning to CEMA to the extent desired by the Soviets and is going ahead with at least one large industrial project opposed by the Soviets. This defiance by the traditionally most independent and least audacious of the satellites illustrates what Khrushchev meant when he complained

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[] that his ambassadors could no longer rule in East Europe, and that he was in the position of a father whose son had grown too big to spank, lest the son turn and send him reeling with a "kick in the belly."

17. Most of the satellites, with Czechoslovakia and East Germany currently heading the list, are experiencing economic difficulties. Last year Eastern Europe recorded its lowest rate of economic growth since 1956. These countries have been unable to sustain the high growth rates of the fifties, chiefly because, except for Rumania and Bulgaria, they have run out of easy ways to increase industrial production. Public dissatisfaction with living conditions, already especially evident in Poland and Czechoslovakia, can be expected to continue and even increase.

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18. Added to this general economic malaise in Eastern Europe have been the continuing political problems generated by de-Stalinization. The repercussions of Khrushchev's denunciation of Stalin at the 22nd Party Congress in 1961 were not as troublesome in Poland and Hungary as in those countries where the chief Stalinists still hold power: Rumania, Czechoslovakia, and East Germany. Gheorghiu-Dej and Ulbricht have managed to contain the pressures for de-Stalinization which arose in their own parties as a result of Khrushchev's new campaign. But in Czechoslovakia Novotny's clumsy attempt to contain the currents of de-Stalinization and his mishandling of the economy have stimulated demands for political rehabilitations and for greater literary freedom, together with direct criticism of the regime and its top leaders, and a revival of nationalist fervor in Slovakia. A leadership crisis of major proportions has developed, and Novotny's uneasy position presents the Soviets with an additional problem at this most awkward time.

19. These various problems arising from different causes contribute to the general trend of diversity in Eastern Europe and in the Communist movement which has been gaining strength in recent years. On the whole, the Soviets seem to accept the inevitability of this trend, and appear prepared to accommodate themselves to it. On the other hand, particularly at a time when they are being seriously challenged by China, they need to maintain their political authority in the Communist movement and especially in Eastern Europe where vital interests are involved. However, these countries are likely more and more frequently to refuse to subordinate their national interests to the common interests of the bloc as a whole, and the assertion of Soviet authority is likely to become increasingly difficult.

East-West Relations

20. Problems have also accumulated for Khrushchev in his conduct of Soviet relations with the West. The forced withdrawal of Soviet missiles from Cuba was the most dramatic in a series of disappointments and setbacks. It has apparently led him to a sober view of the chances that the USSR will be able to achieve rapid advances on a wide variety of fronts. As a result Soviet policy has for some months been characterized by a relative immobility and an

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apparent recognition that neither a predominantly hard nor genuinely conciliatory line offers much promise at present. In these circumstances the Soviets seem to see the present period as one which can best be used to build up their strength and to fortify existing positions in preparation for future opportunities.

21. Soviet foreign policy, however, will not be passive despite this loss of confidence that events can readily be made to move in favor of the USSR. On two issues, Berlin and the test ban, new activity is obvious. Khrushchev's visit to Berlin inevitably brings the Berlin question into the spotlight, and some of his recent private remarks indicate that he is still preoccupied with his failure to force through a favorable solution. For the present the Soviets have not ruled out further negotiations nor do they appear headed for an early showdown with the West in Berlin. It is possible, however, that the Soviets will view the coming change in the West German leadership and the internal political difficulties in other Western capitals as providing favorable circumstances for a new probe of Western determination. Future Soviet moves on Berlin and Germany may depend greatly on what conclusions the Soviets draw from the Moscow negotiations next month.

22. One aspect of the German problem now has been indirectly linked to the test ban negotiations in Moscow. Khrushchev's new proposal of 2 July calls for a NATO-Warsaw Pact nonaggression treaty to be signed "simultaneously" with a partial test ban agreement. This shift in the Soviet position is open to two interpretations. Khrushchev now may be attempting to use Western interest in a partial test ban to gain concessions which would confirm the division of Germany and Europe. In this connection, the Soviets have already hinted that a nonaggression treaty would reduce the chances of another Berlin crisis. Alternatively, Khrushchev may have attached the nonaggression pact to the test ban in anticipation that the Western allies would be unable to accept his conditions, particularly because of West German resistance to freezing the European status quo. In any event, the general tenor of Khrushchev's new approach reflects his

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desire to hold the door open to the West as reinsurance against the possibility of an even sharper deterioration of his relations with Peiping. On balance, the present period still seems inauspicious for Khrushchev to make major changes in the direction of Soviet policy. However, there are recent indications that the Soviets wish the Moscow negotiations to take place in an amiable atmosphere. It is possible that Khrushchev wishes to explore the chances for limited agreements which might open the way to a more lasting relaxation of tensions with the US.

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